Jozini Local Municipality
(Registration number KZN 272)
Annual financial statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality	
Nature of business and principal activities	Service Delivery	
Municipal Council		
Executive Committee members	BN Mthethwa	Mayor
	TS Mdluli	Deputy Mayor
	MZ Nyawo	Speaker
	PJ Mabuyakhulu	Exco member
	J Siyaya	Exco member
	DP Mabika	Exco member
	RH Gumede	Exco member
	NG Fakude	Exco member
	MZ Tembe	Exco member
Ordinary Councillors		
	JE Buthelezi	Ordinary councillor
	BZ Mngomezulu	Ordinary councillor
	SM Mthembu	Ordinary councillor
	M Mathe	Ordinary councillor
	TL Mathenjwa	Ordinary councillor
	JM Mpontshane	Ordinary councillor
	TZ Nyawo	Ordinary Councillor
	DM Mthembu	Ordinary councillor
	SS Mkhize	Ordinary councillor
	BQ Gumede	Ordinary councillor
	ZB Ngobe	Ordinary councillor
	BI Msweli	Ordinary councillor
	GE Ngcamphalala	Ordinary councillor
	ME Ndlela	Ordinary councillor
	BS Mathenjwa	Ordinary councillor
	BN Khumalo	Ordinary councillor
	RN Ndlovu	Ordinary councillor
	TP Mbhamali	Ordinary councillor
	DJ Mthembu	Ordinary councillor
	SM Mathenjwa	Ordinary councillor
	IO Young	Ordinary councillor
	ML Mavundla	Ordinary councillor
	SS Macwele	Ordinary councillor
	GP Moodley	Ordinary councillor
	NL Mathenjwa	Ordinary councillor
	KB Madonsela	Ordinary councillor
	KNC Dlamini	Ordinary councillor
	KP Mbhatha	Ordinary councillor
	NS Myeni	Ordinary councillor

General Information

Grading of local authority	3
Accounting Officer	Mr L Maka Acting Municipal Manager
Chief Finance Officer (CFO)	Mr VI Gumede Acting CFO
Postal Address	Private Bag x 028 Jozini 3969
Physical address	Bottom Town Circle Street Jozini 3969
Bankers	ABSA Bank FNB Bank
Attorneys	Weich and Kriel
Preparer	The annual financial statements were internally compiled by: Mr VI Gumede

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 35, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2014 and were signed on its behalf by:

Accounting Officer
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial 2013/2014 ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 number of meetings were held.

Name of member	Number of meetings attended
Mr IZ (Chairperson)	5
Mr SP Kunene	4
Mr DL Mponshane	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Jozini Local Municipality
(Registration number KZN 272)
Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Receivables from exchange transactions	2	2,216,453	2,794,438
Receivables from non-exchange transactions	3	7,227,737	5,695,873
VAT receivable	4	1,511,623	2,502,866
Cash and cash equivalents	5	8,641,319	30,088,577
		19,597,132	**41,081,754**
Non-Current Assets			
Property, plant and equipment	6	208,293,536	178,709,435
Intangible assets	7	59,091	124,444
		208,352,627	**178,833,879**
Total Assets		**227,949,759**	**219,915,633**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	20,815,628	15,254,248
Unspent conditional grants and receipts	9	8,428,923	21,446,239
Provisions	10	8,168,684	7,492,069
Deposit & refund		18,044	-
		37,431,279	**44,192,556**
Total Liabilities		**37,431,279**	**44,192,556**
Net Assets		**190,518,480**	**175,723,077**
Accumulated surplus		194,618,925	175,723,079

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**148,251,498**	**148,251,498**
Changes in net assets		
Surplus for the 30 June 2013	27,471,581	27,471,581
Total changes	27,471,581	27,471,581
Balance at 01 July 2013	**175,723,079**	**175,723,079**
Changes in net assets		
Surplus for the year 30 June 2014	18,895,846	18,895,846
Total changes	18,895,846	18,895,846
Balance at 30 June 2014	**194,618,925**	**194,618,925**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	13	3,389,418	1,992,983
Rental of facilities and equipment		765,640	595,073
Licences and permits		863,361	730,650
Interest earned on overdue account		6,446,946	5,118,552
Other income	15	2,806,517	2,018,841
Interest received - investment		2,011,226	2,715,312
Total revenue from exchange transactions		**16,283,108**	**13,171,411**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	12	12,612,289	11,910,914
Transfer revenue			
Government grants & subsidies		129,984,515	118,420,966
Fines		1,199,370	236,875
Transfer of halls		-	5,839,066
Total revenue from non-exchange transactions		**143,796,174**	**136,407,821**
Total revenue	11	**160,079,282**	**149,579,232**
Expenditure			
Employee related cost	17	(28,926,676)	(30,465,754)
Remuneration of councillors	18	(9,811,181)	(7,660,908)
Depreciation and amortisation		(12,697,832)	(11,213,362)
Finance costs	19	-	(470,125)
Debt impairment		(59,101)	(563,124)
Allowence for debt impairment		(14,553,603)	(15,985,944)
Repairs and maintenance		(10,063,319)	(3,033,845)
Contracted services		(4,799,086)	(3,191,815)
Grants and subsidies paid	21	(4,609,770)	(12,581,756)
Cost of housing sold		-	(407,772)
General Expenses	16	(55,662,868)	(36,533,246)
Total expenditure		**(141,183,436)**	**(122,107,651)**
Operating surplus		**18,895,846**	**27,471,581**
Surplus for the year		**18,895,846**	**27,471,581**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,296,735	1,992,983
Grants		126,097,766	118,497,743
Interest income		2,011,226	2,715,312
Other receipts		17,948,333	14,982,460
		147,354,060	138,188,498
Payments			
Employee costs		(37,355,859)	(40,245,884)
Suppliers		(65,714,714)	(7,321,862)
Finance costs		-	(470,125)
Other payments		(11,379,604)	(12,852,783)
Other cash item		(12,153,224)	(23,824,279)
		(126,603,401)	(84,714,933)
Net cash flows from operating activities	5&26	**20,750,659**	**53,473,565**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(42,178,509)	(60,768,924)
Proceeds from sale of property, plant and equipment	6	40,058	591,690
Purchase of other intangible assets	7	(77,510)	(233,139)
Net cash flows from investing activities		**(42,215,961)**	**(60,410,373)**
Cash flows from financing activities			
Deposit and Refund		18,044	-
Net increase/(decrease) in cash and cash equivalents		**(21,447,258)**	**(6,936,808)**
Cash and cash equivalents at the beginning of the year		30,088,577	37,025,385
Cash and cash equivalents at the end of the year	5	**8,641,319**	**30,088,577**

Statement of comparison between Budget and Actual

Figures in Rand

	Original budget	**Budget adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. council approved policy)**	**Final budget**	**Actual outcome**	**Unauthorised expenditure**	**Variance**	**Actual outcome as % of final budget**	**Actual outcome as % of original budget**
2014											
Financial Performance											
Property rates	17,985,624	(12,575)	17,973,049	-		17,973,049	12,612,289		(5,360,760)	70 %	70 %
Service charges	3,492,922	971,488	4,464,410	-		4,464,410	3,389,418		(1,074,992)	76 %	97 %
Investment revenue	4,710,132	(2,000,000)	2,710,132	-		2,710,132	2,011,226		(698,906)	74 %	43 %
Transfers recognised - operational	89,911,000	150,000	90,061,000	-		90,061,000	90,654,174		593,174	101 %	101 %
Other own revenue	7,983,795	3,002,653	10,986,448	-		10,986,448	12,081,834		1,095,386	110 %	151 %
Total revenue (excluding capital transfers and contributions)	**124,083,473**	**2,111,566**	**126,195,039**	**-**		**126,195,039**	**120,748,941**		**(5,446,098)**	**96 %**	**97 %**
Employee costs	(32,083,793)	3,173,150	(28,910,643)	-	-	(28,910,643)	(28,926,676)	-	(16,033)	100 %	90 %
Remuneration of councillors	(10,201,358)	(256,317)	(10,457,675)	-	-	(10,457,675)	(9,811,181)	-	646,494	94 %	96 %
Debt impairment	(2,000,000)	-	(2,000,000)			(2,000,000)	(59,101)	-	1,940,899	3 %	3 %
Depreciation and asset impairment	(1,000,000)	-	(1,000,000)			(1,000,000)	(12,697,832)	-	(11,697,832)	1,270 %	1,270 %
Transfers and grants	(4,391,000)	1,800,000	(2,591,000)	-	-	(2,591,000)	(4,609,770)	-	(2,018,770)	178 %	105 %
Other expenditure	(62,921,590)	(11,061,899)	(73,983,489)	-	-	(73,983,489)	(85,078,876)	-	(11,095,387)	115 %	135 %
Total expenditure	**(112,597,741)**	**(6,345,066)**	**(118,942,807)**	**-**	**-**	**(118,942,807)**	**(141,183,436)**	**-**	**(22,240,629)**	**119 %**	**125 %**
Surplus/(Deficit)	**11,485,732**	**(4,233,500)**	**7,252,232**	**-**		**7,252,232**	**(20,434,495)**		**(27,686,727)**	**(282)%**	**(178)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	44,891,000	(8,425,000)	36,466,000	-		36,466,000	39,330,341		2,864,341	108 %	88 %
Surplus (Deficit) after capital transfers and contributions	**56,376,732**	**(12,658,500)**	**43,718,232**	**-**		**43,718,232**	**18,895,846**		**(24,822,386)**	**43 %**	**34 %**
Surplus/(Deficit) for the year	**56,376,732**	**(12,658,500)**	**43,718,232**	**-**		**43,718,232**	**18,895,846**		**(24,822,386)**	**43 %**	**34 %**

Capital expenditure and funds sources

Total capital expenditure	55,571,000	4,680,000	60,251,000	-		60,251,000	48,507,862		(11,743,138)	81 %	87 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	59,376,000	(15,658,419)	43,717,581	-		43,717,581	20,750,659		(22,966,922)	47 %	35 %
Net cash from (used) investing	(46,644,636)	(4,679,859)	(51,324,495)	-		(51,324,495)	(42,215,961)		9,108,534	82 %	91 %
Net cash from (used) financing	-	-	-	-		-	18,044		18,044	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**12,731,364**	**(20,338,278)**	**(7,606,914)**	**-**		**(7,606,914)**	**(21,447,258)**		**(13,840,344)**	**282 %**	**(168)%**
Cash and cash equivalents at the beginning of the year	37,177,519	-	37,177,519	-		37,177,519	30,088,577		(7,088,942)	81 %	81 %
Cash and cash equivalents at year end	**49,908,883**	**(20,338,278)**	**29,570,605**	**-**		**29,570,605**	**8,641,319**		**20,929,286**	**29 %**	**17 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Initial Recognition
Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. items for property plant and equipment are initially recognised as assets on acquisition date and are initially recorderd at cost. the cost of an item of property plant and equipment is the purchase price and other costs attributable to bring asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. When significant components of the Property, plant and equipment has useful lives, they are accounted for as seperate items (major components) of property, plant and equipment.
are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year

The cost of an item of property, plant and equipment is recognised as an asset when:
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property plant, and equipment where the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property plant and equipment, they are accounted for as property plant and equipment.

Subsequent measurements-cost model

Subsequent to initial recognition, items of property plant and equipment are measured at cost less accumulated depreciation and impairment losses or at fair market value. Land is not depreciated as it deemed to have and indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of that asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Accounting Policies

1.3 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Depreciation and impairment.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated average asset lives:

Classes of Assets	Average useful life
Land	
• Landfill site	15 Years
• Parkhomes	10 Years
Infrastructure	
• Buildings	30 Years
• Roads and Pavements	30 Years
• Storm water Drainage	20 Years
• Community Assets Buildings	30 Years
• Community Halls	30 Years
• Libraries	30 Years
• Parkings and gardens	10 Years
• Recreational facilities	30 Years
Furniture and fixtures	
• Furniture and fittings	5 Years
• Bins and Containers	5 Years
Motor vehicles	
• Other Vehicles	5 Years
Office equipment	
• Office Equipment	5 Years
• Computer Equipment	5Years

Items of Property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Intangible assets

1.4.1 Initial recognition

Initial recognition
An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

When an intangible is acquired by the Municipality for no or nominal value consideration(i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
where an intangible asset is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acqured is initially measured at fair value (the cost). If the acquired iterm's fair value was not determinable,its deemed cost is the carrying amount of the asset's given up

1.4.2 Subsequent Measurement- Cost Model
Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over useful life where that useful life is finite. Where the useful life is indefinite, asset is not amortised but is subject to an annual impairment test.

1.4.3 Amortisation and Impairments
Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using straight line method.

The l armotisation period and the armotisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimated in the Statement of Financial Performance.
The annual amortisation rates are based on the following estimated average asset lives
Computer software 5 Years

The Municipal tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. where the carrying amount of an intangible asseet is greater than then the estimated recoverable amount (or recoverables service amount), it is written down immediately to its recoverable amount (or recoverable service amount), and impairment loss is charged to the to the statement of financial Perfomance.
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An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.4 Intangible assets (continued)

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

Any increase in the carrying amount of an intangible asset, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in the carrying amount of an intangible asset, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.5 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.5 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Municipality as a lessee

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1.7 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

1.9 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.10 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 and 24, has been provided in the face of Stament of Comparison between Budget and actual information. The following GRAP standards were issued and are Effective
GRAP 1- presentation of Fiancial statement

GRAP 2-Cash flow statement

GRAP 5-Borrowing Cost

GRAP 9-Revenue from Exchanged transactions

GRAP 13-Leases

GRAP 14-Events after the reporting date

Accounting Policies

1.11 Comparative figures (continued)

GRAP 17-Property plant and equipment

GRAP 19-Provisions, contingent liabilities and contingent

GRAP 20- Related parties

GRAP 21-Impairment of non cash-generating assets

GRAP 23-Revenue from non-exchanged transactions

GRAP 24- Presentation of budget information in the Financial Statements

GRAP 31-Intangible Assets

GRAP 103- Heritage assets

GRAP 104-Financial instruments

GRAP 25-Employee benefits

GRAP 26-Impairment of Cash-generating assets

GRAP 27-Agriculture

1.12 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

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1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.13 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.15 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. Receivables from exchange transactions

Trade debtors	13,381,730	10,643,030
Rentals debtors	943,926	520,716
Allowance for debt impairment	(12,109,203)	(8,369,308)
	2,216,453	**2,794,438**

3. Receivables from non-exchange transactions

Rates Debtors	36,055,351	25,832,003
Councillor's Debtors	3,832	3,832
Staff Debtors	9,000	9,000
Traffic Debtors	943,650	-
Allowence for debt impairment	(29,784,096)	(20,148,962)
	7,227,737	**5,695,873**

Property rates		
Current(0-30 days)	(894,452)	1,619,775
(31-60 days)	220,366	911,437
(61-90days)	290,848	848,441
(91-120 days)	343,047	1,526,209
(121-365 days)	36,783,463	20,926,141
	36,743,272	**25,832,003**

Refuse removal		
Current(0-30 days)	263,426	379,947
(31-60 days)	13,332	213,794
(61-90 days)	157,225	199,017
(91-120 days)	284,178	197,444
(121-365 days)	408,085	3,986,873
> 365 Days	12,746,137	5,665,955
	13,872,383	**10,643,030**

4. VAT receivable

VAT	1,511,623	2,502,866

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	465	5,000
Bank balances	6,765,875	8,274,804
Short-term deposits	1,874,979	21,808,773
	8,641,319	**30,088,577**

5. Cash and cash equivalents (continued)

Description	Account number	Bank Satement 30 June 2014	Bank statement 30 June 2013	Cashbook balances 30 June 2014	Cash book balances 30 June 2013
FNB: Main account	6202 418 5452	6,457,728	858,172	6,457,728	858,172
Petty cash		-	-	465	5,000
ABSA: Operational account	4069 624 954	1,541,150	2,400,528	270,739	2,400,528
FNB: Investment	7437 121 6430	-	-	-	-
Grindrod: Investment	16520	-	47,870	-	47,870
Grindrod: Investment	164419/11000 034006	100,895	96,024	100,895	96,024
STD: Investment	268741042	-	5,000,488	-	5,000,488
ABSA: Investment	2073276014	-	5,000,000	-	5,000,000
Cashier's collection		-	-	37,409	15,617
FNB: Unspent conditional grant	62406733164	1,598,669	16,664,878	1,598,669	16,664,878
FNB MIG	62424077403	174,611	-	174,611	-
Ithala: Investment	18607525	803	-	803	-
		9,873,856	**30,067,960**	**8,641,319**	**30,088,577**

6. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	76,746,608	(6,968,029)	69,778,579	49,727,857	(5,058,832)	44,669,025
Motor vehicles	6,515,855	(2,651,868)	3,863,987	4,964,821	(2,114,041)	2,850,780
Office equipment	7,088,232	(4,366,092)	2,722,140	5,885,222	(3,379,776)	2,505,446
Infrastructure	177,139,456	(87,024,931)	90,114,525	171,549,516	(78,105,570)	93,443,946
Work-in-progress(WIP)	41,814,305	-	41,814,305	35,240,238	-	35,240,238
Total	**309,304,456**	**(101,010,920)**	**208,293,536**	**267,367,654**	**(88,658,219)**	**178,709,435**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	44,669,025	120,171	-	27,435,990	(1,974,037)	69,778,579
Motor vehicles	2,850,780	1,740,993	-	-	(727,787)	3,863,987
Office equipment	2,505,446	1,254,760	(40,058)	-	(998,617)	2,722,140
Infrastructure	93,443,946	362,670	-	4,689,858	(8,854,528)	90,114,525
Work-in-progress(WIP)	35,240,238	38,699,915	-	(32,125,848)	-	41,814,305
	178,709,435	**42,178,509**	**(40,058)**	**-**	**(12,554,969)**	**208,293,536**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	21,527,624	13,470,258	(6,223)	10,700,824	(1,023,458)	44,669,025
Motor vehicles	701,222	2,745,302	(353,130)	-	(242,614)	2,850,780
Office equipment	2,488,220	1,147,676	(232,337)	-	(898,113)	2,505,446
Infrastructure	91,902,290	4,734,087	-	5,232,091	(8,424,522)	93,443,946
Work-in-progress (WIP)	12,486,101	38,671,601	-	(15,917,464)	-	35,240,238
	129,105,457	**60,768,924**	**(591,690)**	**15,451**	**(10,588,707)**	**178,709,435**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and systems	568,943	(509,852)	59,091	491,431	(366,987)	124,444

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software and systems	124,444	77,510	(142,863)	59,091

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software and systems	135,283	233,139	(243,978)	124,444

8. Payables from exchange transactions

	2014	2013
Trade payables	6,306,658	3,373,898
Retention and surity	14,508,970	11,880,350
	20,815,628	**15,254,248**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Housing grant	83,492	83,492
MIG	-	81,364
Area 17 water scheme	521,807	521,807
Ndumo sport field	721,230	1,203,736
Internal control unit	150,000	150,000
Ward committee induction training	23,355	23,355
Municipal housing sector plan	11,775	11,775
Jozini upgrading projects	107,606	107,606
Fresh produce market	234,683	867,014
Bhambanana town formalisation	69,365	69,365
Synegistic program	7,224	7,224
Ubuhle besiko cultural village	69,700	69,700
Bhanjana road	624,412	624,412
Umnothophansi	1,184,150	1,184,150
Library grant	222,306	416,789
IDP Grant	240	240
MSIG	19,140	269
FMG	48,246	404
National electrification grant	164,807	9,671,450
Development of recycling centre	10,730	10,730
LG Expert	22,384	22,384
Jozini town formalisation	1,758,152	3,921,752
DBSA contribution for plan	10,365	10,365
Implemantation of pound	51,652	74,754
Supply of solar water gyser	2,312,102	2,312,102
	8,428,923	**21,446,239**

10. Provisions

Reconciliation of provisions - 2014

	Opening Balance	**Additions**	**Total**
Provision for long service award	780,000	298,000	1,078,000
Provision for landfill site	3,585,025	204,439	3,789,464
Provision for leave pay	2,031,452	174,176	2,205,628
Provision for performance	425,600	-	425,600
Provision for Annual bonus	669,992	-	669,992
	7,492,069	**676,615**	**8,168,684**

Reconciliation of provisions - 2013

	Opening Balance	**Total**
Provision for long service award	780,000	780,000
Provision for landfill site	3,585,025	3,585,025
Provision for leave pay	2,031,452	2,031,452
Provision for performance bonus	425,600	425,600
Provision for Annual bonus	669,992	669,992
	7,492,069	**7,492,069**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Revenue

Service charges	3,389,418	1,992,983
Rental of facilities and equipment	765,640	595,073
Licences and permits	863,361	730,650
Interest earned on overdue account	6,446,946	5,118,552
Other income	2,806,517	2,018,841
Interest received - investment	2,011,226	2,715,312
Property rates	12,612,289	11,910,914
Government grants & subsidies	129,984,515	118,420,966
Fines	1,199,370	236,875
Transfer of halls	-	5,839,066
	160,079,282	**149,579,232**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3,389,418	1,992,983
Rental of facilities and equipment	765,640	595,073
Licences and permits	863,361	730,650
Interest earned on overdue account	6,446,946	5,118,552
Other income	2,806,517	2,018,841
Interest received - investment	2,011,226	2,715,312
	16,283,108	**13,171,411**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12,612,289	11,910,914
Transfer revenue		
Government grants & subsidies	129,984,515	118,420,966
Fines	1,199,370	236,875
Transfer of halls	-	5,839,066
	143,796,174	**136,407,821**

12. Property rates

Rates received

Residential	1,110,508	443,021
Commercial	3,819,674	8,928,504
Small holdings and farms	906,530	684,505
Rural Communal Land	3,177,830	2,991,909
Public Service	17,627	9,972
Specialised Properties	5,794,459	4,231,524
Less: Income forgone	(2,214,339)	(5,378,521)
	12,612,289	**11,910,914**

13. Service charges

Commercial	1,918,556	373,334
Rural communal land	731,016	422,059
Residential	1,705,524	913,509
Specialised properties	(965,678)	284,081
	3,389,418	**1,992,983**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies

Operating grants		
Equitable share	83,913,176	70,314,944
FMG	1,601,754	1,636,381
Fresh produce market	-	780,196
LGWSETA	-	317,128
Library grant	1,081,683	1,150,116
MSIG	870,860	939,095
Supply of solar water gyser	-	1,753,097
School crossing DOT	-	13,740
Synegistic programme	-	3,658
Small town and rehabilitation	2,163,599	849,236
Implementation of KZN pound	23,102	775,558
EPWP	1,000,000	-
	90,654,174	78,533,149
Capital grants		
National Electrification	4,449,504	7,385,690
MIG	31,761,175	32,495,354
Ndumo Sports field	2,487,331	6,773
Fresh produce market	632,331	-
	39,330,341	39,887,817
	129,984,515	**118,420,966**

15. Other income

Miscellanous	7,851	4,838
School crossing DOT	49,680	-
Stadiums, Hall hire and Cemetries	93,545	29,953
Pound fines	38,443	-
Town planning fees	622,812	-
Refunds	81,172	193,391
Commission received	13,446	36,832
Library fines, Combo signs and trading licences	6,947	13,903
Sale of documents	60,160	136,324
Clearance Certificate	3,540	900
Penalties	5,943	462
Ashbin waste management	53,200	6,260
Department of Human settlement	1,142,590	-
Penalties	-	1,286,358
Employees cellphone deduction	260,361	284,369
Discount received	192,639	20,173
Coffins for Majalantini	200	2,718
Donations	15,500	-
Insurance claims	155,320	-
Direct deposit clearing	3,168	2,360
	2,806,517	**2,018,841**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. General expenses

	2014	2013
Advertising	394,584	309,279
Audit committee fees	36,142	59,445
Auditors remuneration	2,829,337	2,380,166
Bank charges	107,729	60,000
Cleaning	94,750	82,550
Legal fees	534,016	1,459,952
Bonus Annual provision	-	90,741
Entertainment	1,013,466	332,769
Wellness	1,285,291	811,466
Accomodation expense	2,125,902	1,428,453
Levies	-	213,965
Motor vehicle Licences	68,809	15,305
Fuel and oil	1,215,439	597,044
Printing and stationery	638,459	524,849
Publicity	198,237	363,974
Security (Guarding of municipal property)	2,839,283	1,035,026
Subscriptions and membership fees	450,096	400,000
Postage and Telephone	4,148,794	3,876,955
Training	1,006,995	563,672
Subsistance and travelling	4,346,784	2,119,225
Uniforms	350,676	377,757
Other Expenditure	3,846,374	1,456,462
Learners license expenses	62,764	47,484
Municipal special programmes and events	4,631,670	2,017,447
Poverty alleviation projects	12,657,146	14,283,171
Job expansion programme	2,888,000	249,395
Valuation roll expense	1,165,287	-
Disaster management	1,026,106	837,315
Community participation programmes	447,335	539,379
OSS	1,110,807	-
Casual workers	3,000,000	-
Department of Human Settlement	1,142,590	-
	55,662,868	**36,533,246**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. Employee related costs

Basic	19,081,000	19,887,623
Bonus	1,352,052	1,067,638
Medical aid - company contributions	1,169,902	940,266
UIF	206,846	137,793
SDL	304,336	189,877
Leave pay provision charge	173,903	1,058,144
Defined contribution plans	3,400,194	3,055,161
Travelling allowences	1,593,214	3,252,980
Overtime payments	791,458	527,302
Acting allowances	-	5,499
Housing benefits and allowances	79,261	144,868
Cellphone allowance	774,510	198,603
	28,926,676	**30,465,754**

Remuneration of municipal manager

Annual Remuneration	485,916	292,834
Car Allowance	263,474	156,917
Performance Bonuses	80,550	-
Contributions to UIF, Medical and Pension Funds	193,048	192,589
Other	51,563	31,499
	1,074,551	**673,839**

Remuneration of chief finance officer

Annual Remuneration	435,585	262,500
Car Allowance	234,090	139,417
Performance Bonuses	71,550	-
Contributions to UIF, Medical and Pension Funds	147,235	86,796
Other	4,019	52,849
	892,479	**541,562**

Remuneration of directors technical and planning

Annual Remuneration	476,666	187,347
Car Allowance	176,303	95,114
Contributions to UIF, Medical and Pension Funds	91,171	86,733
Other	-	3,763
	744,140	**372,957**

Remuneration of director corporate and community

Annual Remuneration	543,019	363,503
Car Allowance	215,610	143,778
Performance Bonuses	36,778	-
Contributions to UIF, Medical and Pension Funds	112,727	64,750
Other	10,242	134,849
	918,376	**706,880**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Remuneration of councillors

The Municipal Mayor	719,369	448,900
Deputy Mayor	435,565	211,759
EXCO members	2,318,600	1,188,197
Speaker	756,159	387,008
Councillors	5,581,488	5,425,044
	9,811,181	**7,660,908**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards

19. Finance costs

Finance cost	-	470,125

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2013: R -).

20. Auditors' remuneration

Fees	2,829,337	2,380,166

21. Expenditure related to grants

Expenditure related to operational conditional grants		
FMG	1,369,428	1,462,330
Ndumo Sports field	2,017	6,773
Library grant	1,070,783	856,248
MSIG	612,449	939,095
School crossing DOT	-	32,970
Synegistc	-	122,374
EPWP	998,953	-
Jozini town formalisation	556,140	503,861
LGWSETA	-	9,576
Supply of solar water gysers	-	1,753,097
Electricity reticulation	-	6,895,432
	4,609,770	**12,581,756**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

22. Contingencies

Contingent liabilities

Matter	Name of claimant	Date of claim	Possible Liability	Progress on claim	Total
Unlawful arrest and assault	Mr Mthembu& Mr Ngcamphalala	-	90,000	Matter adjourned sine die	90,000
Breach of contracts	Mothey consulting engineers	-	1,200,000	Awaiting trial date. have attended to municipalitiy's discovery Affidavit. Awaiting requested iterms from claimant's discovery affidavit	1,200,000
VAT Services	Preson investments (pty) LTD	-	3,500,000	Awaiting trial date	3,500,000
Contract	Nkombankombane General Trading cc	-	300,000	Pleading closed. matter due to be heard on the 12 September 2014. awaiting for details from Municipality as to whom will be testifying in the court.	300,000
Claim for travelling and accomodation arrangements	Rennies travel (pty) LTD	-	64,000	Received settlement proposal from claimant's attorney's. awaiting for municipalitiy's instruction.	64,000
Breach of contract	Eezy-Ads	-	1	Awaiting claimant to take further steps	1
Breach of contract	Siyakwethemba construction JV Mbuthuma construction	-	670,754	Have filed Municipalitiy's plea and counterclaims. Awaiting claimant's plea to Municipality's plea and counterclaim	670,754
Unfair dismissals	Ntuli, Ngiba and Hlatshwayo	-	15,114,045	Have placed on record that Municipality disputes liability for amount claimed. Awaiting claimants reply thereto. awaiting for Municipality's further instructions. Summons not yet issued	15,114,045
Claim for defamation	Ntuli,Ngiba and Hlatshwayo	-	3,650,000	Letter of demand issued. summons not yet issued.	3,650,000
Post-employment medical aid benefits		-	1,301,000		1,301,000
		-	**25,889,800**		**25,889,800**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Related parties

Relationships

The Municipal Mayor	Refer to note 18
The Deputy Mayor	Refer to note 18
The Speaker	Refer to Note 18
Executive director corporate and community	Refer to note 17
Executive director technical and planning	Refer to note 17
Chief financial officer	Refer to note 17

Related party transactions

	2014	2013
The following councillor had arreas account outstanding for more than 90 days at June 30, 2013		
S.S Macwele	3,832	3,832

24. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2014	2013
Net surplus per the statement of financial performance	18,895,846	27,471,581

25. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

	2014	2013
Operating activities		
Basis differences	20,750,659	53,473,652
Investing activities		
Basis differences	(42,215,961)	(60,410,373)
Financing activities		
Basis differences	18,044	-
Net cash generated from operating, investing and financing activities	**(21,447,258)**	**(6,936,721)**

26. Cash generated from operations

	2014	2013
Surplus	18,895,846	27,471,581
Adjustments for:		
Depreciation and amortisation	12,697,832	11,213,362
Debt impairment	59,101	563,124
Movements in provisions	676,615	5,008,166
Other non-cash items	(4,101,062)	5,299,747
Changes in working capital:		
Receivables from exchange transactions	577,985	1,969,282
Consumer debtors	(59,101)	1,206,735
Other receivables from non-exchange transactions	(1,531,864)	(5,695,873)
Payables from exchange transactions	5,561,380	7,506,489
VAT	991,243	(1,146,629)
Unspent conditional grants and receipts	(13,017,316)	77,581
	20,750,659	**53,473,565**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Unauthorised expenditure

Unauthorised expenditure	-	1,285,023
Less approved by council or condoned	-	(1,285,023)
	-	**-**

28. Irregular expenditure

Opening balance	46,241,499	46,071,499
Less: Amounts condoned	(46,071,499)	-
Add: Irregular expenditure internal audit contract	-	170,000
	170,000	**46,241,499**

29. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations from SCM procedures (in terms of section 36) of Municipal supply chain management requlations

Opening balance	3,159,206	469,507
Add: SCM deviations during the year	2,508,696	2,689,699
	5,667,902	**3,159,206**

30. Fringe benefits

The Jozini Municipality has granted fringe benefits to the following employees and has incurred cost of their accomodation and only R2500 deducted from their salaries each month.

Mrs TNS Ngiba	248,975	71,957
Mr B. Ntuli	109,676	153,810
	358,651	**225,767**